

Message Text

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ACTION EUR-25

INFO OCT-01 AF-10 ARA-16 EA-11 NEA-10 IO-14 ISO-00 AID-20

CEA-02 CIAE-00 COME-00 EB-11 FRB-02 INR-10 NSAE-00

RSC-01 OPIC-12 SPC-03 TRSE-00 CIEP-02 LAB-06 SIL-01

OMB-01 SCEM-02 INT-08 SS-20 NSC-10 STR-08 L-03 H-03

PA-04 PRS-01 USIA-15 DRC-01 /233 W

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P R 311131Z DEC 73

FM USMISSION OECD PARIS

TO SECSTATE WASHDC PRIORITY 1500

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BEIRUT

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AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY REYKJAVIK

AMEMBASSY ROME
AMEMBASSY STOCKHOLM
AMEMBASSY TEHRAN
AMEMBASSY TOKYO
AMEMBASSY TRIPOLI
AMEMBASSY VIENNA
AMEMBASSY WELLINGTON
US MISSION EC BRUSSELS UNN
US MISSION GENEVA 4950
US MISSION NATO 3421

LIMITED OFFICIAL USE SECTION 1 OF 2 OECD PARIS 33094

E.O. 11652: N/A

TAGS: ENRG, ECON, EFIN, OECD

SUBJECT: OECD SECRETARIAT ASSESSMENT OF OIL SITUATION'S ECONOMIC
CONSEQUENCES

REF: USOECD PARIS 33075

1. SUMMARY. SECGEN CALLED HIGH-LEVEL OIL GROUP HEADS OF
DELEGATION TOGETHER ON DECEMBER 28 PRIMARILY TO PRESENT
SECRETARIAT'S PRELIMINARY ANALYSIS OF THE ECONOMIC
IMPACT OF RECENT DECISIONS BY OIL PRODUCERS TO AMELIORATE
SUPPLY SITUATION WHILE DOUBLING PRICE. AMONG MOST
URGENT ISSUES IDENTIFIED FOR OECD GOVERNMENTS WERE
(A) HOW TO REACT TO THE DRASTIC DETERIORATION IN THEIR
TRADE BALANCES THAT WILL APPEAR IN THE NEXT FEW MONTHS,
AND (B) HOW TO DEAL WITH THE DEFLATIONARY IMPACT OF
PROSPECTIVE MASSIVE OUTFLOWS ON CURRENT ACCOUNT AT A
GENERALLY UNEASY POINT OF "CONJUNCTURE" IN THE INTERNA-
TIONAL ECONOMY. END SUMMARY.

2. SUPPLY SITUATION. LAADING OF SECRETARIAT
LED OFF WITH BRIEF ANALYSIS OF OIL SUPPLY SITUATION.
APPARENTLY CALCULATING LARGELY ON BASIS OF FIGURES
PRESENTED TO DECEMBER 19 OIL COMMITTEE MEETING, HE
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ESTIMATED THAT ARAB OIL PRODUCERS' DECISION TO INCREASE
PRODUCTION TO 85 PERCENT OF SEPTEMBER 1973 LEVELS
IMPLIES REDUCTION IN FREE WORLD SHORTFALL FOR FIRST
QUARTER 1974 TO 6 PERCENT OF PROJECTED DEMAND FOR OIL.
HE RECALLED ROUGH OECD ESTIMATE THAT UP TO 10 PERCENT
SHORTFALL LIKELY TO BE MANAGEABLE WITHOUT DRACONIAN
MEASURES HAVING SEVERE ECONOMIC CONSEQUENCES. UK DEL
SUGGESTED THAT DELAYS IN DELIVERIES OWING TO TIME
REQUIRED FOR SHIPMENT LIKELY TO PREVENT IMMEDIATE IMPROVE-
MENT. UK ESTIMATES IT WILL HAVE 18 PERCENT SHORTFALL
IN JANUARY, THOUGH MARKED IMPROVEMENT EXPECTED IN FOLLOWING
MONTHS. SECRETARIAT NOTED THAT WHERE TRANSPORT DELAYS

SIGNIFICANT, GOVERNMENTS MIGHT BE MORE WILLING TO DRAW DOWN STOCKS IN ANTICIPATION INCREASED DELIVERIES.

3. PRICES. STRESSING PRELIMINARY NATURE OF HIS REPORT, BASED ON FAIRLY ROUGH CALCULATIONS MADE WITHOUT BENEFIT OF INTENSIVE STAFF WORK WHICH NOW WILL BE BROUGHT TO BEAR ON NEW SITUATION, MARRIS OF SECRETARIAT GAVE CLEAR, WIDE-RANGING ANALYSIS OF SOME OF THE MAJOR ECONOMIC CONSEQUENCES LIKELY TO FLOW FROM THE APPARENT DOUBLING OF OIL PRICES ANNOUNCED AT TEHRAN, AND OF THE POLICY ISSUES THEY POSE. HE SAID THAT BEFORE TEHRAN ANNOUNCEMENT, SECRETARIAT HAD BEEN ENGAGED IN DIFFICULT ANALYSIS OF HIGHLY COMPLICATED SHORT-RUN SITUATION. IT HAD BEEN ATTEMPTING TO CALCULATE THE CONSEQUENCES FOR THE ECONOMIC OUTLOOK OF COMBINATION OF RISING OIL PRICES, SUPPLY SHORTFALL, ANTICIPATORY DECREASES IN DEMAND, AND PROSPECTIVE CUTS IN INDUSTRIAL PRODUCTION LEADING TO INFLATIONARY GAP. WITH NEW SUPPLY SITUATION THERE IS NOW NO REASON TO SUPPOSE THAT SIGNIFICANT REDUCTION IN INDUSTRIAL PRODUCTION WILL BE NECESSARY. INCREASE OF 3-4 PERCENT IN GNP AND EMPLOYMENT CITED IN LATEST ECONOMIC OUTLOOK IS THEREFORE POSSIBLE TO ACHIEVE -- BUT NOT WITHOUT APPROPRIATE NEW ECONOMIC POLICY DECISIONS. THE LATEST INCREASE IN OIL PRICES IS SO LARGE THAT IT MUST BE REGARDED AS A QUALITATIVE AS WELL AS QUANTITATIVE CHANGE.

4. ECONOMIC PRICE OF OIL. MARRIS NOTED THAT TEHRAN ANNOUNCEMENT IMPLIES C.I.F. OIL PRICE OF ABOUT \$8.50-9.00 PER BARREL WHICH, HESAID, THAT OPTIMUM PRICE FOR DEPLETABLE RESOURCE IS LONG-RANGE SUBSTITUTION PRICE OF ALTERNATIVE RESOURCES, BUT LIMITED OFFICIAL USE
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PRELIMINARY RESULTS FROM OECD'S LONG-TERM ENERGY ASSESSMENT SUGGEST \$6-8 IS LONG-RANGE SUBSTITUTION PRICE FOR CONVENTIONAL OIL. HIGHER PRICE MAY SPEED DEVELOPMENT OF SUBSTITUTES, ALTER PATTERNS OF DEMAND, ETC. WITH THE EFFECT OF REDUCING LONG-TERM RATE OF RETURN TO OIL PRODUCERS. MARRIS POINTED OUT THAT INTERESTS OF OIL PRODUCERS MAY DIFFER. IRAN, WITH LARGE POPULATION AND RELATIVELY GOOD BASE FOR INDUSTRIALIZATION, IS LIKELY TO BE MORE INTERESTED IN MAXIMIZING REVENUES IN SHORT TERM. SAUDIA ARABIA IS LIKELY TO BE MORE CONCERNED WITH MAXIMIZING LONG-TERM RATES OF RETURN. IT IS AT LEAST POSSIBLE IN MARRIS' VIEW THAT IN LIGHT OF ABOVE CONSIDERATIONS NEW PRICE INCREASES MIGHT NOT STICK, THOUGH MUCH WOULD DEPEND ON OECD COUNTRIES' REACTIONS.

5. INFLATIONARY IMPACT. MARIS ESTIMATED THAT DIRECT IMPACT ON GENERAL PRICE LEVELS OF OECD COUNTRIES OF COMBINED OCTOBER AND DECEMBER OIL PRICE INCREASES WOULD BE OF ORDER OF 1.5 TO 2 PERCENT. (FIGURE WOULD BE LESS IN COUNTRIES WITH SUBSTANTIAL INDIGENOUS SUPPLIES, SUCH AS THE U.S., THOUGH DIFFERENCE MIGHT BE REDUCED BY INCREASE IN PRICE OF

DOMESTIC SUPPLIES TO CLOSE GAP BETWEEN DOMESTIC AND INTERNATIONAL MARKETS.) WHEN COMBINED INCREASES WORKED THROUGH ECONOMY, TOTAL EFFECT COULD BE 2-3 PERCENT IN ORDINARY CONDITIONS -- BUT THESE ARE NOT ORDINARY CONDITIONS. OECD OUTLOOK FOR 1974 ALREADY ESTIMATES 10 PERCENT ANNUAL INFLATION, WITH SOME NASTY HINTS OF STAGFLATION. MOST IMPORTANT QUESTION, SAID MARRIS, WOULD BE EFFECT OF ADDITIONAL OIL-INDUCED PRICE RISES ON INFLATIONARY MOMENTUM, WITH RISK THERE WILL BE SHARP INCREASE IN INFLATIONARY EXPECTATIONS. IN ANY CASE, HE SAID, IT WOULD BE WISE FOR THOSE GOVERNMENTS WHICH COMMAND APPROPRIATE POLICY INSTRUMENTS TO LIMIT PASS-THROUGH OF OIL PRICE INCREASES TO EXTENT POSSIBLE.

6. BALANCE OF PAYMENTS EFFECTS. SECRETARIAT HAD ALREADY ESTIMATED THAT OCTOBER OIL PRICE RISE EQUIVALENT TO \$15 BILLION INCREASE IN OECD IMPORT BILL WHEN RELATED TO DEMAND PREDICTED FOR 1974. WHEN THIS FIGURE REDUCED BY ALLOWANCE FOR INCREASED OECD EXPORTS TO OIL PRODUCERS AND REDUCTION IN DEMAND, NET NEGATIVE EFFECT ON OECD-WIDE BALANCE OF PAYMENTS ON CURRENT ACCOUNT WAS ESTIMATED AT \$9 BILLION. LIMITED OFFICIAL USE

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BILLION, REDUCING SURPLUS THAT HAD BEEN PROJECTED FROM \$10 BILLION TO \$1 BILLION. DECEMBER DOUBLING OF PRICE WOULD THEORETICALLY ADD \$35-36 BILLION TO OECD IMPORT BILL, MARRIS SAID, THOUGH WITH AID OF ROUGH GUESSES HE

THOUGHT ACTUAL EFFECT ON CURRENT ACCOUNT MIGHT BE CLOSER TO \$25 BILLION. DIFFERENCE ACCOUNTED FOR BY POSTULATED 7 PERCENT FURTHER REDUCTION IN OIL IMPORTS (BECAUSE OF GOVERNMENT MEASURES AND REDUCED DEMAND), SAVING \$5 BILLION, AND BY POSTULATED \$5 BILLION FURTHER INCREASE IN OECD'S EXPORTS TO OIL PRODUCERS. ACCORDING TO MARRIS, TOTAL EFFECT IN 1974 ON OECD COUNTRIES' CURRENT ACCOUNT OF OCTOBER AND DECEMBER PRICE INCREASES MIGHT THEREFORE BE IN RANGE OF \$30-35 BILLION. NEW ROUGH ESTIMATES HE GAVE FOR 1974 INDIVIDUAL COUNTRY CURRENT ACCOUNT BALANCES GIVEN IN COLUMN TWO OF TABLE BELOW. COLUMN ONE REPRESENTS ESTIMATES OF CURRENT ACCOUNTS BASED ON OCTOBER PRICE INCREASES BUT EXCLUDING DECEMBER INCREASES. FIGURES IN \$ BILLION.

	I	II
U.S.	PLUS 5	0 TO PLUS 1
JAPAN	MINUS 0.5	MINUS 5
FRANCE	MINUS 0.8	MINUS 3 TO MINUS 3.5
GERMANY	PLUS 1	MINUS 2
ITALY	MINUS 1.25	MINUS 3 TO MINUS 3.5
UK	MINUS 3	MINUS 5
ALL OTHER OECD	PLUS 0.5	MINUS 7 TO MINUS 8
OF BENELUX	PLUS 1.25	MINUS 0.5

7. DEFLATIONARY POTENTIAL. THE ADDITIONAL \$30-35 BILLION SPENT ON OIL, MARRIS CONTINUED, EVENTUALLY WILL FLOW BACK TO THE OECD COUNTRIES, WHO HAVE THE ONLY DEVELOPED MONEY AND FINANCIAL MARKETS. NEVERTHELESS, SITUATION INVOLVES SHARP SHIFT IN INTERNATIONAL DISTRIBUTION OF INCOME TO OIL PRODUCERS WHO HAVE ON AVERAGE HIGH PROPENSITY TO SAVE. UNLESS THESE SAVINGS ARE MATCHED BY AN INCREASE IN INVESTMENT IN THE OECD AREA, THERE WILL BE A SHARP DEFLATIONARY IMPACT. (IMPACT WOULD BE RELATIVELY SMALL IN U.S. BUT MUCH MORE SIGNIFICANT IN OTHER MEMBER STATES WITH SMALLER GNP'S.) ONE WAY OF RESTORING BALANCE WOULD BE FOR OECD GOVERNMENTS TO ADOPT POLICIES TO STIMULATE PRIVATE INVEST-
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ACTION EUR-25

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CEA-02 CIAE-00 COME-00 EB-11 FRB-02 INR-10 NSAE-00

RSC-01 OPIC-12 SPC-03 TRSE-00 CIEP-02 LAB-06 SIL-01

OMB-01 SCEM-02 INT-08 SS-20 NSC-10 STR-08 L-03 H-03

PA-04 PRS-01 USIA-15 DRC-01 /233 W

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TO SECSTATE WASHDC PRIORITY 1501

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY ANKARA

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AMEMBASSY KUWAIT
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AMEMBASSY OTTAWA
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AMEMBASSY TEHRAN
AMEMBASSY TOKYO
AMEMBASSY TRIPOLI
AMEMBASSY VIENNA
AMEMBASSY WELLINGTON
S MISSION EC BRUSSELS UNN
US MISSION GENEVA 4951
US MISSION NATO 3422

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MENT. A CONCEIVABLE THOUGH PARADOXICAL DEVELOPMENT COULD BE A CRASH PROGRAM OF INVESTMENT TO DEVELOP ALTERNATIVE SOURCES OF ENERGY WHICH, IN BROAD ECONOMIC PERSPECTIVE, WOULD BE USING ARAB MONEY TO ACHIEVE INDEPENDENCE FROM ARAB OIL. A SECOND APPROACH, UNDERIABLE ACCORDING TO MARRIS, WOULD BE A REDUCTION OF TAXES BY OECD COUNTRIES. THIS WOULD MEAN BROADLY SPEAKING THAT ARAB SAVINGS WERE BEING USED TO FINANCE INCREASED GOVERNMENT DEFICITS AND PRIVATE CONSUMPTION IN OECD COUNTRIES.

8. POLICY PITFALLS. NEITHER WAY OF DEALING WITH DEFLATIONARY POTENTIAL WOULD HELP B/P CURRENT ACCOUNTS. DEBT TO OIL PRODUCERS WOULD CONTINUE TO BUILD UP, TO HUGE AMOUNTS OVER TIME, WHICH MANY OECD COUNTRIES MAY FIND UNACCEPTABLE. DANGER IS THAT THEY MAY REACT TO CURRENT ACCOUNT DEFICITS, THAT WILL BE MANIFEST IN SHOCKING FASHION IN TRADE FIGURES FOR AS SOON AS SPRING 1974 IN UNCOORDINATED WAYS THAT COULD LEAD TO WORLD-WIDE RECESSION. MARRIS POINTED OUT THAT PROBLEM PARTLY ONE OF TIING. THERE HAVE BEEN ADJUSTMENTS TO SWINGS IN TERMS OF TRADE OF COMPARABLE MAGNITUDE, BUT THESE ARE EASIER OVER TIME, I.E. WHEN PAYMENTS CAN BE MADE OVER SEVERAL YEARS BY KEEPING GROWTH IN CONSUMPTION SLIGHTLY LOWER THAN GROWTH IN GNP.

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9. IMPACT ON LDC'S. MARRIS ESTIMATED THAT 1974 BILL FOR OIL IMPORTING LDC'S FROM OCTOBER AND DECEMBER PRICE INCREASES WOULD BE ABOUT \$8.5 BILLION. OIL CONSUMPTION IS INCREASING RAPIDLY IN THESE COUNTRIES. AT SAME TIME, THERE APPEARS TO BE TENDENCY FOR DEVELOPED COUNTRIES TO REDUCE AID OWING TO THEIR THREATENED B/P DEFICITS. THESE EFFECTS ARE UNFORTUNATE FROM ECONOMIC POINT OF VIEW; THEY MEAN MONEY BEING SHIFTED AWAY FROM COUNTRIES WITH HIGH PROPENSITY TO SPEND, WITH CONSEQUENT NEGATIVE EFFECTS TO BE EXPECTED ON OECD EXPORTS. BOTH MARRIS AND DAC CHAIRMAN (AMB. MARTIN) AGREED THAT ANY SHIFT POSSIBLE OF PURCHASING POWER FROM OIL PRODUCERS TO OTHER LDC'S WOULD BE ECONOMICALLY DESIRABLE AND IN OECD'S OWN INTEREST. PARIN URGED SHIFT OF DAC COUNTRY AID FROM OIL PRODUCERS SUCH AS INDONESIA TO NON-OIL-PRODUCING LDC'S. WHILE MARRIS REMARKED THAT THE OIL PRODUCERS, WHOSE 1974 REVENUES APPARENTLY WILL REACH \$70 BILLION, MIGHT HELP NON-OIL-PRODUCING LDC'S TO MEET INCREASED OIL COSTS, AMB. MARTIN NOTED THAT THE OIL PRODUCERS' AID MEASURES HAVE BEEN VERY MODEST SO FAR. DUAL PRICE SYSTEM FOR OIL HAS BEEN DISCUSSED, AMB. MARTIN SAID, BUT WOULD PROBABLY BE DIFFICULT TO MAINTAIN. HE NOTED LDC BORROWING FROM EURO CURRENCY MARKET LIKELY TO BE LIMITED IN AMOUNT BECAUSE OF INABILITY TO AFFORD INTEREST RATES. SUBSIDIZATION OF INTEREST RATES HAS BEEN PROPOSED, BUT NEEDS FURTHER ANALYSIS BEFORE CONVINCING CASE CAN BE MADE THAT THIS REPRESENTS BEST USE OF LIMITED AMOUNT OF GRANT AID. IN RESPONSE TO EXPRESSION OF NETHERLANDS CONCERN THAT COUNTRIES MAY SLASH AID TO LDC'S IN PANICKY REACTION TO LOOMING B/P DIFFICULTIES, AMB. MARTIN SAID HE PLANS TO CONVENE DAC HEADS OF DELEGATION MEETING WEEK OF JANUARY 1 TO DISCUSS THIS PROBLEM.

10. OPEC CONSUMER COUNTRY DIALOGUE. SEC GEN NOTED THAT IN TEHRAN PRESS CONFERENCE SHAH HAD RAISED AGAIN THE POSSIBILITY OF A DIALOGUE BETWEEN OPEC AND THE OECD COUNTRIES. SEC GEN SAID THAT IN HIS VIEW VERY BROAD RANGE OF ISSUES GOING WELL BEYOND THE PROBLEM OF ENERGY NARROWLY DEFINED WOULD HAVE TO ENTER INTO SUCH A DIALOGUE. THE OECD AS AN ORGANIZATION COULD BE, BUT NEED NOT NECESSARILY BE, THE FORUM FOR SUCH A DIALOGUE. IT MIGHT ALSO PROVE

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TO BE DESIRABLE IN VIEW OF THE COMPLEXITY AND VARIETY OF MATTERS TO BE DISCUSSED TO CONFIDE DIFFERENT ISSUES TO

DIFFERENT GROUPS IN VARIOUS FRAMEWORKS. SECGEN HOPED OECD MEMBERS WOULD REFLECT ON THIS MATTER AND WOULD BE PREPARED TO PROVIDE FURTHER GUIDANCE AT THE NEXT HLG HEADS OF DELEGATION MEETING, TENTATIVELY SCHEDULED FOR JANUARY 14. IN MEANTIME, IMMEDIATE TASK OF OECD IS TO SPEED UP ECONOMIC ANALYSIS OF ENERGY SITUATION, HE SAID, INCLUDING ITS WORLD-WIDE IMPLICATIONS. LONG-TERM ENERGY ASSESSMENT WOULD BE GEARED TO ASSISTING THE PROPER APPRECIATION OF THE KEY ISSUES. THERE IS ALSO A NEED TO DETERMINE WHAT COMMON GROUND THERE IS AMONG OECD MEMBERS, HE SAID, TO FACILITATE ANY COMMON APPROACH TO OIL PRODUCERS.

11. OBJECTIVE ECONOMIC ISSUES. AT INVITATION OF SECGEN, MARRIS DESCRIBED SEVERAL ISSUES THAT WOULD BE SUITABLE FOR OBJECTIVE ECONOMIC DISCUSSION WITH OPEC. THESE INCLUDED (A) WHAT IS LONG-RUN SUBSTITUTION PRICE FOR CONVENTIONAL OIL (AND APPROPRIATE TIME FRAME FOR REACHING IT)? (B) HOW SHOULD THE "TAX" BETWEEN COST OF PRODUCTION OF OIL AND COST OF ALTERNATIVE SOURCES BE DIVIDED BETWEEN PRODUCERS AND CONSUMERS? (C) WHAT IS A FAIR BARGAIN IN THE EXCHANGE OF IL FOR LONG-TERM ASSETS; (D) HOW CAN POLICIES BE COORDINATED SO THAT MOST PRODUCTIVE USE CAN BE MADE OF PRODUCERS' SAVINGS FOR THEIR OWN BENEFIT, AS WELL AS THAT OF OECD COUNTRIES AND OF NON-IL-PRODUCING LDC'S?

12. COUNTRY REACTIONS. ONLY SUBSTANTIVE REACTIONS ON OPEC-OECD COUNTRY DIALOGUE CAME FROM ITALIAN AND FRENCH DELEGATIONS. ITALIAN DELEGATION REPEATED POSITION HE HAD TAKEN AT EARLIER MEETING IN FAVOR OF GIVING URGENT CONSIDERATION TO OPENING LINKS BETWEEN OPEC AND OECD. HE NOTED THIS WOULD NOT PREVENT BILATERAL COOPERATION WITH OIL PRODUCERS OR COOPERATION IN OTHER INTERNATIONAL FRAMEWORKS. HE STATED THAT HIS GOVERNMENT WAS STUDYING THE PROPOSAL FOR AN ENERGY ACTION GROUP WITH DEEP INTEREST. FRENCH DELEGATION STRESSED NEED TO AVOID MOVING TOO RAPIDLY IN ESTABLISHING OPEC-OECD CONTRACTS. IT WOULD BE VERY COMPLEX TO DETERMINE CONTENT AND NATURE OF SUCH CONTACTS, HE SAID. FOR EXAMPLE, THERE ARE DIFFERENCES BETWEEN THE U.S., WHICH IS AIMING LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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FOR SELF-SUFFICIENCY, AND EUROPE, WHICH WILL DEPEND ON OIL IMPORTS FOR A LONG TIME TO COME.

13. COMMENT: THOUGH SECRETARIAT PERFORMANCE WAS FORMIDABLE ON SUCH SHORT NOTICE, EVEN FOR A FIRST APPROXIMATION, IT WAS PERHAPS NOT SURPRISING. WITH EMPHASIS SHIFTING FROM SUPPLY OF OIL TO PRICE AND ITS ECONOMIC CONSEQUENCES, SECRETARIAT STANDING ON ITS STRONGEST GROUND, ASSISTED BY WELL-ORGANIZED TASK FORCE IN ECONOMICS AND STATISTICS DEPARTMENT AS WELL AS CENTRAL UNIT FOR LONG-

TERM ENERGY ASSESSMENT. SECRETARIAT'S FIRST ASSESSMENT
WILL BE TESTED AND AMPLIFIED IN NEX FEW WEEKS FOR
CONSIDERATION BY WP-3 AT ITS JANUARY 16 ROME MEETING,
BY EPC AND WP-3 MEETINGS IN FEBRUARY AND BY NEXT MEETING
OF OIL COMMITTEE'S HIGH-LEVEL GROUP. THOUGH THE DISCUSSION
AT TH HLG HEADS OF DELEGATION MEETING FOCUSSED ON THE
ECONOMICS OF THE OIL SITUATION, BOTH THE SECRETARIAT
AND SEVERAL DELEGATES EXPLICITLY INDICATED THEIR AWARENESS
THAT THE SUPPLY SITUATION IS IN THE IRST INSTANCE A
FUNCTION OF THE POLITICAL SITUATION IN THE MIDDLE EAST
AND CANNOT BE CONSIDERED STABLE OR NECESSARILY SUBJECT
TO CONTINUOUS IMPROVEMENT.
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BRASILIA
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